



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

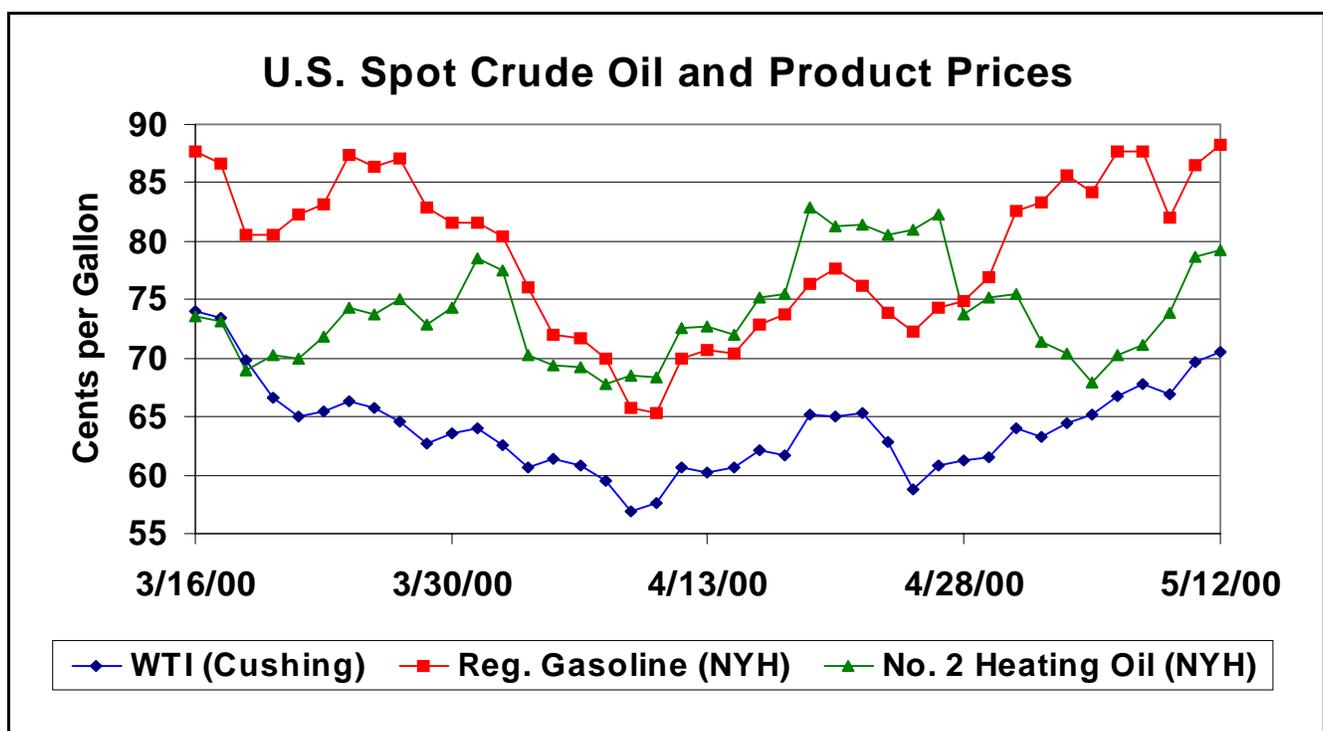
MARKET SUMMARY

U.S. petroleum spot and futures markets moved sharply upward last week, taking crude oil and gasoline prices to two-month highs. The major influence appeared to be a joint statement by the Saudi Arabian, Venezuelan, and Mexican oil ministers, after a meeting on Wednesday, that no further actions by producers are needed at this time to stabilize markets. Further support came from EIA's monthly energy outlook and IEA's monthly report, both citing expected strong demand in the second half of the year. However, other observers termed the ongoing price runup "irrational," and pointed to offsetting influences, including a strong weekly stockbuild, the end of the Norwegian strike, and efforts to keep Iraqi exports uninterrupted, all of which failed to slow upward momentum last week.

Crude oil - prices rose every day but Wednesday, reflecting a generally bullish market sentiment based on growing concerns about supply adequacy during the second half of the year. NYMEX futures briefly touched \$30 per barrel on Friday, with spot prices settling at their highest level since mid-March. Even a 4.5-million-barrel stockbuild for the week ending May 5, the third of similar size in the past four weeks, only resulted in a slight setback to prices on Wednesday.

Gasoline - generally kept pace with crude oil for most of the week, the exception being a sharp drop on Wednesday following the weekly API and EIA supply reports. Although overall gasoline stocks fell slightly in the week ending May 5, markets appeared to focus on a solid build in RFG stocks. In addition to crude oil strength, gasoline was supported by unit outages at several U.S. refineries, as well as a complete turnaround at a Canadian refinery supplying imports to the Northeast.

Distillate - prices outgained those for crude oil, apparently due both to refinery problems and the lack of a stockbuild, with the heating season no longer a factor.



CHRONOLOGY OF RECENT MARKET EVENTS

- 5/12 - mixed** - prices rose in early trading, then fell in profit-taking, and finally recovered partially to close mostly higher, with only heating oil futures ending with a loss for the day. Fundamental explanations for WTI futures' brief move to \$30 per barrel were scarce, with some observers characterizing the recent bullishness as "irrational" given the current supply/demand balance.
- 5/11 - rising** - products led all prices solidly higher under a combination of influences. The monthly IEA report called for stronger global demand in the second half of 2000, while the energy ministers of Saudi Arabia, Venezuela, and Mexico said that no further actions are needed on world oil supplies. In the U.S., unit outages at several refineries pressured product markets.
- 5/10 - mixed** - crude oil and gasoline prices fell, while distillates continued to rise, in the wake of the weekly API and EIA supply reports. A larger-than-expected crude oil stockbuild was the most influential factor, while gasoline prices additionally responded to an increase in RFG inventories, despite a decline in total gasoline stocks.
- 5/9 - rising** - prices continued to move moderately higher across the board, despite a lack of support from supply fundamentals. The weekly API and EIA supply reports were expected to show stockbuilds, and the strike in Norway was reported over, removing another source of upward pressure.
- 5/8 - rising** - all prices increased sharply, taking WTI spot and futures over \$28 per barrel for the first time since late March. The continued strike in Norway was a factor, along with a statement by the Saudi Arabian oil minister that OPEC might not need to raise output in June.
- 5/5 - mixed** - crude oil spot and futures prices rose on concerns about the ongoing strike in Norway, while products ended lower. Gasoline markets saw profit-taking after recent strong gains, while distillates remained weak overall ahead of expected warm weekend weather.
- 5/4 - mixed** - gasoline again led most prices higher, on continuing concerns about refinery problems, Phase 2 RFG, and the Unocal patents. The Norwegian strike remained a factor in crude oil firming, while distillates were again the weakest element.
- 5/3 - mixed** - crude oil and distillate prices retreated unevenly after Tuesday's increases, while gasoline continued slightly higher. Reported problems at two U.S. refineries and a turnaround at a major Canadian plant continued to support gasoline, despite an unexpected stockbuild. A large stockdraw and a strike in Norway worried crude markets, though prices ended slightly lower.
- 5/2 - rising** - gasoline prices rose sharply on summer supply concerns, pulling all markets solidly upward. The sudden surge in gasoline was largely attributed to growing worries about the impact of patents on RFG, held by Unocal, on production and blending by other suppliers.
- 5/1 - rising** - all prices moved higher, led by strength in gasoline markets. A delay in restarting a cat cracker at Motiva's Port Arthur refinery, along with rumored troubles at other plants, added to bullish sentiments for gasoline, while crude markets were generally quiet.